

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), all grades of butter are higher: Grade AA increased 1 cent to \$1.0400, Grade A increased 1 cent to \$0.9600, and Grade B increased 3 cents to \$0.9600. Also at the CME, barrel cheese is unchanged at \$1.3350 and 40# blocks are unchanged at \$1.3925.

The "basic formula price used in Federal Orders" for August 1997 is \$12.07 per cwt. at 3.5% test. The basic formula price is the base month M/W price of \$10.88 plus a change of \$1.19, which is the change in the butter/powder/cheese formula from July to August. For August, the NASS average cheese price was \$1.3024. The butterfat differential is \$0.106. The August 1997 basic formula price is \$1.21 more than last month but \$2.87 less than August 1996. Class III-A prices are: for Federal Orders 1 & 2, \$11.98; for Order 4, \$12.00; for Orders 124, 131, & 135, \$11.74; for other affected orders, \$11.88.

According to NASS, the U.S. average All Milk price in August was \$12.70 at a fat test of 3.53%, up \$.50 from last month but down \$3.20 from last year. For Fluid Grade Milk, prices averaged \$12.70 (3.52%), up \$.40 from last month but down \$3.30 from last year. Dairy farmers marketing Manufacturing Grade Milk received \$11.60 (3.58%), up \$.80 from last month but down \$3.00 from last year. All Milk prices with fat tests and comparisons to last month for the following selected states were: California, \$12.00 (3.51%), up \$.31; Wisconsin, \$13.10 (3.60%), up \$1.22; New York, \$12.40 (3.53%), up \$.40; Pennsylvania, \$13.00 (3.47%), up \$.20; and, Minnesota, \$13.20 (3.60%), up \$1.36.

As of July 1, 1997, total announced allocations under the Dairy Export Incentive Program (DEIP) were: 92,217 MT of NDM, 7,487 MT of whole milk powder, 3,510 MT of cheese, and 34,232 MT of butterfat. During the period of July 1, 1997 - August 31, 1997, bids accepted under DEIP totaled: 38,290 MT of NDM, 668 MT of whole milk powder, 454 MT of cheese, and, 5,236 MT of butterfat. In the first two months of the contract year, 41.5% of the NDM, 9% of the whole milk powder, 13% of the cheese, and 15% of the butterfat allocations for DEIP have already been shipped out.

The demand for fluid milk is exceptionally strong as most schools around the country have reopened for the year. Milk production continues to fluctuate due to varied weather conditions. In the Northeast, milk supplies have tightened and milk receipts are declining seasonally. Florida and other Southeastern states are drawing heavily on fluid supplies from the Mid-Atlantic area and New York to supplement local offerings. Persistent heat and humidity in the Southeast are forcing milk receipts lower. In the Midwest, surplus milk continues to be shipped to supplement shortages in the South. Cool weather throughout the Midwest is significantly decreasing the outlook for crop quantity and quality. California milk production continues to outpace year ago levels as weather conditions remain at or near ideal over most of the major producing areas. Dry conditions are making for the harvesting of good quality feed crops. In Arizona and New Mexico, milk production is at seasonally low levels, but is also ahead of a year ago. Milk output remains very strong in the northern Mountain States and Pacific Northwest. Cream prices are mostly lower, reflecting the decline in butter prices at the Chicago Mercantile Exchange.

Nonfat dry milk prices are steady to slightly lower and the market tone remains weak. Western producers offered more than 4.2 million pounds of NDM to the CCC under the price support program. Dry buttermilk prices are unchanged and the market tone remains weak. Demand is seasonally flat. Central dry whey prices are higher and the market tone is firmer. WPC prices and the market undertone are weak.

During the week of September 1 - 5, CCC net dairy product purchases under the price support program were 4,178,640 pounds of Western nonfortified NDM.

SPECIAL THIS ISSUE

AUGUST AGRICULTURAL PRICES SUMMARY(PAGE 2)

AUGUST DEIP BID ACCEPTANCES (PAGES 7-8)

BUTTERMARKETS**CHICAGO WHOLESALE**

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	SEPTEMBER 2	SEPTEMBER 4	SEPTEMBER 5
AA	\$1.0300 - 1.0400 : (-.0500) (-.0500)	\$1.0300 - 1.0400 :	\$1.0300 - 1.0400 :
A	\$0.9500 - 0.9600 : (-.0600) (-.0600)	\$0.9500 - 0.9600 :	\$0.9500 - 0.9600 :

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, prices for all grades of butter are slightly higher. The butter markets continue to have a mixed market tone. Some producers/handlers would like steady pricing levels, while others look for additional adjustments. Stocks range from in balance to heavier than current demand is clearing. Churning schedules are seasonally active, although cream supplies and pricing multiples are less than desirable for some producers. Overall buying interest is fairly good.

CHEESE MARKETS**WISCONSIN ASSEMBLY POINTS**

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES	SEPTEMBER 1 - 5, 1997
BARRELS*	\$1.3250 - 1.3450 (NOMINAL)
40# BLOCKS	\$1.3925 - 1.4275 (NOMINAL) (.0025) (.0075)

() Change from previous week. * If steel, barrel returned.

CHEESE HIGHLIGHTS: The cheese market is steady. At the Chicago Mercantile Exchange, both blocks and barrels were unchanged in light to moderate trading. Increased Class I demand to fill school milk pipelines continues to pull milk volumes away from cheese vats. Lead times on orders for current varieties have increased as milk production also trends lower seasonally in many areas.

CHICAGO MERCANTILE EXCHANGE**BUTTER TRANSACTIONS ON FRIDAY, SEPTEMBER 5, 1997**

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	.0100	\$1.0400 : SALE 09/05/97
A	.0100	\$0.9600 : BID 09/05/97
B	.0300	\$0.9600 : BID 09/05/97

SALES: 43 CARS GRADE AA: 14 @ \$1.000, 2 @ \$1.0100, 1 @ \$1.0150, 2 @ \$1.0175, 4 @ \$1.0200, 2 @ \$1.0225, 1 @ \$1.0250, 2 @ \$1.0275, 2 @ \$1.0300, 13 @ \$1.0400 (LST)

BIDS UNFILLED: 20 CARS GRADE AA: 3 @ \$1.0025, 15 @ \$0.9900, 1 @ \$0.9600, 1 @ \$0.9500
1 CAR GRADE A: @ \$0.9600 (LST)
1 CAR GARDE B: @ \$0.9600 (LST)

OFFERS UNCOVERED: 15 CARS GRADE AA: 5 @ \$1.1000, 2 @ \$1.0600, 4 @ \$1.0500, 2 @ \$1.0450, 2 @ \$1.0400

CHEESE TRANSACTIONS ON THURSDAY, SEPTEMBER 4, 1997

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	N.C.	\$1.3350 :SALE 09/04/97
40# BLOCKS	N.C.	\$1.3925 : SALE 09/04/97

SALES: 34 CARS BARRELS:
5 @ \$1.3250, 3 @ \$1.3275, 6 @ \$1.3300, 8 @ \$1.3325, 8 @ \$1.3350, 1 @ \$1.3375, 1 @ \$1.3450, 1 @ \$1.3425, 1 @ \$1.3400 (LST)
4 CARS 40# BLOCKS: @ \$1.3925 (LST)

BIDS UNFILLED: 4 CARS 40# BLOCKS: @ \$1.3925

OFFERS UNCOVERED: 12 CARS BARRELS:
3 @ \$1.3575, 2 @ \$1.3550, 1 @ \$1.3475, 3 @ \$1.3450, 2 @ \$1.3425, 1 @ \$1.3350

PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are 5 cents lower following the declines in the Grade AA butter price at the Chicago Mercantile Exchange on August 29. Current butter stocks remain adequate. Current butter demand is mostly just fair as many buyers stocked up earlier in the year. Demand is changing along seasonal patterns from slower at many vacation locations to higher for home use.

WHOLESALE PRICES: MIN 25 BOXES
DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.2400-1.4875
1 LB. PRINTS	:	1.1550-1.3375
CHIPS/PATTIES	:	1.2175-1.3875
REDDIES	:	1.2925-1.4875
CONTINENTALS	:	1.3725-1.5475

CENTRAL

Print butter prices are generally 5 cents lower following August 29 trading at the Chicago Mercantile Exchange. The market tone remains unsettled and weak. Stocks of bulk and print butter range from in balance to readily available for current needs. Churning schedules over the past Labor Day holiday weekend were active, although not as brisk as anticipated. Cream supplies are available to local churns, but pricing multiples are higher than many producers want to pay. Orders for the week following the unofficial end of the summer vacation season are mixed. Some buyers are holding off placing orders until they review their supply situation, while others are placing good orders. Early indications are that food service orders are lighter while retail orders are heavier.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, \$ PER POUND

1/4 LB. PRINTS	:	1.1300-1.5375
1 LB. PRINTS	:	1.0950-1.2575
CHIPS/PATTIES	:	1.1200-1.3300
REDDIES	:	1.2050-1.4400
CONTINENTALS	:	1.3600-1.5500

WEST

Prices are sharply lower on Western butter following trading at the NCE on August 29. Most contacts report sales activity slowing compared to the past few weeks, especially on bulk. Prints are more variable with some producers reporting quite good food service orders while others are reporting softer sales. Discounts to the base market are increasing and cream multiples are decreasing. Ice cream plant demand for cream supplies is definitely slower. Some contacts are reporting initial discussions for fall print butter feature activity.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
150 - 1000 POUNDS, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.3125-1.3600
1 LB. PRINTS	:	1.2425-1.3025
PATTIES	:	1.2850-1.4500
REDDIES	:	1.4100-4.4275

FOB CALIFORNIA PLANTS - GRADE AA
100 CASES AND UP, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.0275-1.0675
----------------	---	---------------

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
09/01/97	29,320	:	118,256
08/01/97	38,383	:	125,407
CHANGE	-9,063	:	-7,151
% CHANGE	-24	:	-6

Based on the historical relationship of the preliminary U.S. Cold Storage report of July 31, 1997 and the selected centers storage report, the expected U.S. holdings as of September 1, 1997 are:

Butter	48 million pounds plus or minus 4.34 percent
Cheese	438 million pounds plus or minus 5.30 percent

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS		640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST U.S.	U.S.	U.S.	MN/WI	OTH STATES	U.S.
AUGUST 29	1,4012	1,3457	1,3660	1,3885	1,3465	1,3042	1,3176
	1,267,977	2,502,498	3,829,031	1,530,467	3,319,982	6,973,832	10,293,814

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

AUGUST AGRICULTURAL PRICES SUMMARY

The All Farm Products Index of Prices Received in August was 107 based on 1990-92=100, unchanged from July. Price increases from July for wheat, lettuce, milk, and peaches more than offset price decreases for hogs, soybeans, strawberries, and cauliflower. However, the seasonal changes in the mix of commodities farmers sell also affect the overall index level. Lower relative seasonal marketings of wheat, hay, milk, and broilers more than offset the effect of relatively higher seasonal marketings of tobacco, cattle, grapes, and sweet corn, resulting in no change in the overall index.

The U.S. average All Milk price in August was \$12.70 per cwt. at a fat test of 3.53%, up \$.50 from last month, down \$3.20 from last year. For Fluid Grade Milk, prices averaged \$12.70 per cwt. (3.52%), up \$.40 from last month, down \$3.30 from last year. Dairy farmers marketing Manufacturing Grade Milk received \$11.60 per cwt. (3.58%), up \$.80 from last month, down \$3.00 from last year. All Milk prices with fat tests and comparisons to last month for the following selected states were: California, \$12.00 (3.51%), up \$.31; Wisconsin, \$13.10 (3.60%), up \$1.22; New York, \$12.40 (3.53%), up \$.40; Pennsylvania, \$13.00 (3.47%), up \$.20; and, Minnesota, \$13.20 (3.60%), up \$1.36.

The August Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes and Farm Wage Rates (PPITW) was 116 percent of the 1990-92 average. The index was unchanged from July but 1 point (0.9 percent) above August 1996. Since July 1997, prices were lower for feeder cattle and calf purchases, complete feeds, feed supplements, diesel fuel, feeder pigs, nitrogen fertilizers, and insecticides. Prices were slightly higher for feed grains, hay, and herbicides.

CHEESE MARKETS

NORTHEAST

Wholesale prices are unchanged to fractionally higher on many natural varieties, unchanged on process. The reopening of schools after the Labor Day holiday weekend is impacting milk supplies available for cheese production. Current cheese demand is typically fair at best. Current orders are slow in developing right after the holiday weekend though best interest centers on mozzarella. Orders from vacation locations are generally slower.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.3875-1.8750
Cheddar Single Daisies	:	1.3575-1.8800
Cheddar 40# Block	:	1.5300-1.6800
Process 5# Loaf	:	1.5450-1.6950
Process 5# Sliced	:	1.5650-1.7300
Muenster	:	1.5725-1.9450
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady. At the Chicago Mercantile Exchange, the 40-pound block price increased 1/4 cent to \$1.3925, but barrels were unchanged at \$1.3350. The current block opinion is 29.75 cents below a year ago (just .5 cent under the all-time record high price). The current barrel price is 33.25 cents below a year ago (the all time record). Orders are often slow in developing following the long holiday weekend. Best demand and, overall tightest supplies, are on current cheese varieties. Lead times on orders have increased. Milk supplies available for current production are reduced by school milk pipelines absorbing larger quantities, both locally and further south. Plant operators are reluctant to purchase outside milk, if available, to supplement current receipts due to the high premiums asked. Offerings of aged cheddar, particularly medium, are adequate. Barrels supplies range from tight to at least adequate, particularly heavy with some age. Process sales are steady to slightly improved, bolstered by some food service promotional activity.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6350
Brick And/Or Muenster 5#	:	1.6300-1.8500
Cheddar 40# Block	:	1.6425-1.9150
Monterey Jack 10#	:	1.8300-1.9150
Blue 5#	:	1.9950-2.1800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6900-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.1000-2.4850

WEST

Western cheese prices are generally steady. Production continues at very heavy seasonal levels. Many plants continue to operate on extended schedules. The school milk draw has reduced production runs at some locations. Current block cheese continues to clear very well. Orders are being placed on a regular basis. Demand for aged cheese will start later in the fall season. Barrel stocks are generally rated as in fair shape with some lower quality stocks having more of a problem finding a home. Mozzarella demand is improving seasonally as schools of all types reopen for their fall sessions. Swiss production all summer has been lagging behind the trends of the past few years'. Demand is increasing.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4975-1.7775
Cheddar 40# Block	:	1.5750-1.7300
Cheddar 10# Cuts	:	1.7500-1.9150
Monterey Jack 10#	:	1.7150-1.8775
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGN TYPE CHEESE

Imported prices are unchanged and domestic are steady to fractionally higher. Buyer patterns are changing from summer to fall like patterns, particularly following the reopening of schools. Supplies range from tight to adequate.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7275-2.3375*
Gorgonzola	: 3.2400-5.9400	: 2.3925-2.4900*
Parmesan (Italy)	: TFEWR	: 3.1375-3.1750*
Romano (Italy)	: 2.1900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4000-1.9075*
Romano (Cows Milk)	: -0-	: 2.9250-3.1775*
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Milk supplies have tightened throughout the Northeast as the remaining schools reopened after Labor Day. Milk receipts are declining seasonally through much of the Northeast. Manufacturing schedules are lighter following the holiday and some shipments to the Southeast were canceled. Cream prices are mostly lower, reflecting the decline in butter prices at the Chicago Mercantile Exchange on August 29. The reported multiples used vary with the lowest prices reported over the long holiday weekend when some users were closed and out of the market. Condensed skim prices are steady to higher reflecting the adjustment caused by lower cream prices. Condensed demand remains good though a few producers are limiting sales to regular accounts due to tight supplies. Florida and other Southeastern states continue to draw heavily on fluid supplies from the Middle Atlantic area and New York to supplement local offerings. Along with cooler temperatures, some operations with seasonal production incentive programs are seeing at least a temporary increase in local receipts in the mid-South area as these programs take effect on September 1. The increases, plus the holiday, slightly reduced or delayed the need to import as much milk from other parts of the country such as the Midwest and Southwest. Manufacturing is minimal through most of the Southeast. Heat and humidity in Florida continues to hinder local milk receipts.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.3775 - 1.5295
Delivered Equivalent Atlanta	-	1.3775 - 1.4440 M 1.4005-1.4250
F.O.B. Producing Plants: Upper Midwest	-	1.3775 - 1.4630

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	0.9500 - 1.0800
------------------------------------	---	-----------------

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
AUGUST 29 - SEPTEMBER 4, 1997	70
PREVIOUS WEEK	61
COMPARABLE WEEK IN 1996	82

CORRECTION: the dates reported in last week's Wisconsin shipment total should have read August 22 - 28 instead of as printed.

DESTINATIONS: ALABAMA 1, FLORIDA 56, KENTUCKY 5, TENNESSEE 8

Class I interest is generally stronger, bolstered by the reopening of schools and at least one retail feature. Bottling schedules and shipments out of the upper Midwest were adjusted for Labor Day though not all bottlers shut down for the holiday. Besides the milk shipments reported, about 40 loads of Wisconsin milk are "direct shipped" and pooled under a Southern Federal Order. Another 14 loads of Wisconsin milk were shipped to Ohio. Less milk was also needed from other Midwestern states, though Michigan, Iowa, and Minnesota loads were sent to Florida this week. Finding an uncommitted truck/trucker continues to be a problem for some handlers. Manufacturing milk interest is good, but buyers struggle with \$3.00 premiums on limited supplies. Cream prices are lower, though multiples are unchanged, due to the lower butter prices at the Chicago Mercantile Exchange on August 29. After warmer (seasonal) weekend

temperatures, a cool front moved through the region and brought daily low temperatures below 40 degrees with perhaps scattered frost on September 4. Corn and soybeans still need time, sun, and heat units to mature because only limited acreage of corn is in the dent stage, much less mature. Through the end of August, the average total number of heat units in Wisconsin are 10.6% below normal. Farmers continue to try to harvest hay before the "cutting moratorium" starts in early September (depending on location) until after the first killing frost. This is the period recommended to allow alfalfa time to prepare for winter. Good quality dry hay is likely to be in tight supply again this year, though adequate supplies of haylage and corn silage are expected.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 28 - SEP 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 40.50	\$ 31.50- 37.00
REPLACEMENT HEIFER CALVES	\$120.00-160.00	\$100.00-160.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUG 28 - SEP 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 38.00	\$ 30.00- 35.50

W E S T

The August 4a (butter/powder) milk price in California is \$11.88, down one cent from last month and down \$3.55 from last year. The 4b (cheese) price is \$11.84, up \$1.47 from July 1997 but down \$2.67 from August 1996. The U.S. "all milk" price for August is \$12.70 at a fat test of 3.53%. All milk prices for selected Western states are as follows: Arizona \$12.60 at 3.52%, California \$12.00 at 3.51%, Colorado \$12.10 at 3.51%, Idaho \$12.00 at 3.45%, New Mexico \$11.60 at 3.36%, Oregon \$12.30 at 3.55%, Utah \$11.30 at 3.52%, and Washington \$12.30 at 3.55%. California milk production continues to outpace year ago levels as weather conditions remain at or near ideal over most of the major producing areas. Dry conditions are making for the harvesting of good quality feed crops. The Labor Day weekend did increase the milk flow through some balancing facilities, but reports indicate that no real problems were encountered. The call for fluid milk is good as the usual filling of school lunch orders resumes with more schools in session. Home buying increases are also noted as buying habits change due to children being in school. In Arizona and New Mexico, milk production is at seasonally low levels, but is also ahead of a year ago. Conditions have been less favorable in localized areas where rains have occurred. Manufacturing has been curtailed as milk continues to fill fluid channels in local markets and into the Southeast. Fluid cream markets are weaker. Prices are lower both due to multiples and the butter market declining. Dry conditions and moderate temperatures are leading to continued strong milk production in the Pacific Northwest. Hay quality problems continue with many producers rebalancing rations to offset the poor quality forage that is available. The call for fluid milk is very good for this time of year. Some contacts are concerned about the availability of milk for manufacturing plants this fall. Many producers feel that the expected dollar plus increase in the BFP price that will be announced on September 5, will be too little too late for many of them. Cow numbers at some slaughter operations are increasing. Scattered rain is again causing problems with hay harvesting in the northern Mountain States region. There doesn't seem to be any relief for milk producers seeking good quality, reasonably priced hay. Milk output remains very strong in the region.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 09/04/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Nonfat dry milk prices are unchanged and the market undertone continues to show weakness. The Labor Day weekend saw little extra milk being dried into NDM. Fluid orders were good and shipments to the Southeast moved a lot of milk. Production is light. Most producers are still able to offer NDM from inventories. Resale loads and offerings from other regions remain chief sources of competition.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0500 - 1.0950 MOSTLY: 1.0550 - 1.0650

DRY BUTTERMILK - CENTRAL

Prices are unchanged and the market tone remains weak. Demand is seasonally light and returning to year round business. Some contacts are expecting fall baking accounts to begin to enter the market. The summer ice cream season has mostly passed. Buttermilk is available from several plants and resellers. Condensed orders are fair to good.

BUTTERMILK: 1.0200 - 1.1050

DRY WHEY - CENTRAL

Dry whey prices are higher and the market tone is firmer. Some contacts are rather surprised by the firmness in light of weaker Western prices and lactose markets. Feed buying interest is rather light, although some buyers are in the market for extra whey. Export demand is mostly limited to established accounts. Whey production is trending seasonally lower at most facilities and condensed whey is harder to find. Stocks range from light to moderate.

NONHYGROSCOPIC: .2250 - .2425 MOSTLY: .2275 - .2325

Corrected Report 35 prices:

Nonhygroscopic .2225 - .2375 Mostly .2250 - .2300

ANIMAL FEED WHEY - CENTRAL

All animal feed prices are unchanged and remain nominal in light market trading. With the exception of delactose, offerings are minimal. Delactose interest is expected to increase as cooler weather seasons are nearing. On the edible side, delactose needs in cold pack cheese are or will soon be increasing. Milk replacer and standard whey are often hard to find and are moving rather rapidly when offered. Demand for roller ground is seasonally good.

MILK REPLACER:	.1975 - .2200
STANDARD:	TFEWR
ROLLER GROUND:	.2275 - .2400
DELACTOSE (Min. 20% protein):	.3350 - .3600

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged to lower within the range. Offerings are available from most sources and are often being discounted to stimulate interest for spot sales. Contract sales are currently making up the bulk of trades and consequently holding prices steady. Spot demand is generally light. Feed buyers are indicating that they are looking at replacing whey in formulations with lactose now that better deals for lactose are developing. Fourth quarter contracts are slow to be negotiated.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .2000 - .2800 MOSTLY: .2100 - .2500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices and the market undertone continue to weaken. Producer offerings range from light to moderate levels and are competing with lower priced resale loads. Some end users are offering extra product back on the market. Demand remains fair from food accounts, but is definitely weaker from feed accounts. Production is often lower as milk is first filling local fluid needs and out of region shipments continue. Extra condensed solids are currently harder to locate.

EXTRA GRADE 34% PROTEIN: .5950 - .6400 MOSTLY: .6150 - .6250

NONFAT DRY MILK - WEST

NDM prices are slightly lower on the low/medium heat range, but the mostly range is unchanged. The market tone remains weak. Western producers offered more than 2.5 million pounds of NDM to the CCC under the price support program last week and offerings continue this week. Production was mostly steady over the holiday weekend where milk was not needed for renewed fluid needs. Domestic demand remains light and unaggressive in a definite buyers' market. Additional DEIP orders are expected to begin being filled in the coming weeks. This is expected to decrease the amount of offerings to the CCC. Currently, stocks are in excess of current needs.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0300 - 1.0650 MOSTLY: 1.0350 - 1.0500

HIGH HEAT: 1.0600 - 1.0800

DRY BUTTERMILK - WEST

Western buttermilk prices are unchanged and the market tone remains weak. Demand is seasonally flat. Buyers are not willing to take a position in the market at this time. Churning schedules are often lighter, thus limiting buttermilk drying opportunities. Buttermilk stocks are light to moderate.

BUTTERMILK: 1.0000 - 1.0700 MOSTLY: 1.0000 - 1.0400

DRY WHEY - WEST

Prices continue to decline fractionally for Western whey powder. Those operations that rely mostly on export sales may not be doing as well currently as those that concentrate on domestic sales. The current exchange rate is a concern as well as very strong competition from European traders. Production is heavier than most producers had anticipated. Stock levels are not all that much of a problem, especially in the Mountain States region.

NONHYGROSCOPIC: .2000 - .2250 MOSTLY: .2050 - .2150

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended August 29, on powder sales of 7,127,308 pounds f.o.b. California manufacturing plants was \$1.0522 per pound. This compares to 9,103,138 pounds at \$1.0556 for the previous week ending August 22, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

The NDM market is steady. The producer sale of powder at the low end of the market has ended and the price has rebounded. The reopening of schools, combined with seasonal declines in milk receipts, has reduced the volumes entering the dryers. At least one producer has had to reduce condensed sales, forcing some buyers to reconsider NDM as an alternative.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST:	1.0500 - 1.1400
DELVD SOUTHEAST:	1.0750 - 1.1050

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged. Drying schedules were irregular during the holiday weekend, reflecting the availability of cream, dryer time, and milk use by local and Southern bottlers. Demand was slow in developing following the long holiday weekend.

F.O.B. NORTHEAST:	1.0550 - 1.0800
DELVD SOUTHEAST:	1.0725 - 1.1400

DRY WHOLE MILK - NATIONAL

The whole milk market is fully steady. Drying schedules were irregular during the holiday period, though trending lower as schools reopen after Labor Day and less milk is available for manufacturing. Some DEIP activity is continuing. Domestic interest is steady.

F.O.B. PRODUCING PLANT:	1.2400 - 1.3000
-------------------------	-----------------

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH AUGUST 29, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	38,290 MT (84,414,134 LBS)
CHANGE	--	5,101 MT (11,245,665 LBS)
WHOLE MILK POWDER	--	668 MT (1,472,673 LBS)
CHANGE	--	20 MT (44,092 LBS)
CHEESE	--	454 MT (1,000,888 LBS)
CHANGE	--	25 MT (55,115 LBS)
BUTTERFAT	--	5,236 MT (11,543,286 LBS)
CHANGE	--	1,420 MT (3,130,532 LBS)

DRY WHEY - NORTHEAST AND SOUTHEAST

The whey market is steady. Demand is slow to develop after the holiday weekend. However, most producers are still trying to catch up with previous commitments and have limited product available for spot sales. Drying schedules are generally lighter, reflecting the reduced volume of milk entering cheese production.

F.O.B. NORTHEAST:	EXTRA GRADE	.2250 - .2350
	USPH GRADE A	.2350 - .2500
DELVD SOUTHEAST:		.2400 - .2725

ANIMAL FEED WHEY - NORTHEAST

Prices are unchanged and the market tone is steady. Spot offerings from producers are limited as are regular whey supplies. Demand is slow in developing after the holiday period.

F.O.B. NORTHEAST: MILK REPLACER	.2050 - .2150
---------------------------------	---------------

EVAPORATED MILK - NATIONAL

The evaporated milk market is steady. Current production is generally lower, reflecting the decline in manufacturing milk supplies. Current demand is mostly fair, but preparations are underway for anticipated stronger fall demand. The Kansas City Commodity office announced the purchase of 2,276,640 pounds of canned evaporated milk under EVD-1, invitation 360 at prices ranging \$.5370 - .5723 per pound for delivery in October 1997.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED	
MAJOR U.S. CITIES	\$22.50 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.	

CASEIN - NATIONAL

Casein traders and users report that market conditions are much the same as past weeks. Stocks are sufficient for current needs. Third quarter commitments are being delivered and fulfilled with minimal problems. Fourth quarter inquiries are mixed. Prices are the greatest concern, but the overall tone is stable. During the first six months of 1997, casein imports total 29,374,763 kilograms, down 9% when compared to the first half of 1996. The largest import volume during June was from Ireland with nearly 2.4 million kilograms. New Zealand has been the major source of casein imports during the first six months of this year with nearly 12.9 million kilograms entering the U.S..

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.2000 - 2.2800
ACID:	2.0000 - 2.1000

DEIP BID ACCEPTANCE
AUGUST 1997

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
NONFAT DRY MILK				
JULY 1997		14,929		
08/01	ASIA & FSU	573	OCT-MAR	\$870
08/01	AFRICA & MIDDLE EAST	20	AUG-NOV	\$900
08/04	ASIA & FSU	51	OCT-JAN	\$895
08/04	AFRICA & MIDDLE EAST	63	AUG-SEP	\$850
08/04	CARIBBEAN, CENT & S. AM	17	AUG-SEP	\$865
08/06	AFRICA & MIDDLE EAST	17	AUG-SEP	\$850
08/06	ASIA & FSU	1,500	DEC-FEB	\$885
08/07	ASIA & FSU	2,238	SEP-FEB	\$885
08/07	AFRICA & MIDDLE EAST	120	AUG-JAN	\$897
08/08	CARIBBEAN, CENT & S. AM	255	AUG-NOV	\$899
08/08	AFRICA & MIDDLE EAST	170	AUG-APR	\$895
08/11	AFRICA & MIDDLE EAST	105	AUG-NOV	\$851.38
08/11	CARIBBEAN, CENT & S. AM	302	DEC-JAN	\$822
08/13	CARIBBEAN, CENT & S. AM	1,500	OCT-JAN	\$825
08/14	ASIA & FSU	200	SEP-NOV	\$855
08/15	ASIA & FSU	2,024	AUG-MAR	\$884.73
08/15	CARIBBEAN, CENT & S. AM	34	AUG-SEP	\$820
08/18	CARIBBEAN, CENT & S. AM	22	SEP	\$825
08/18	ASIA & FSU	1,156	OCT-MAR	\$892.54
08/19	CARIBBEAN, CENT & S. AM	781	AUG-DEC	\$871.61
08/19	ASIA & FSU	102	OCT-JAN	\$885
08/20	AFRICA & MIDDLE EAST	284	SEP-JAN	\$910.21
08/20	ASIA & FSU	3,053	AUG-MAR	\$885
08/20	CARIBBEAN, CENT & S. AM	70	AUG-NOV	\$825
08/21	ASIA & FSU	1,003	JAN-MAY	\$885
08/22	ASIA & FSU	2,600	SEP-MAY	\$881.15
08/25	ASIA & FSU	3,950	NOV-MAY	\$874
08/25	CARIBBEAN, CENT & S. AM	100	AUG-DEC	\$854
08/26	CARIBBEAN, CENT & S. AM	420	JAN-MAR	\$870
08/27	AFRICA & MIDDLE EAST	14	AUG-OCT	\$860
08/27	CARIBBEAN, CENT & S. AM	17	AUG-SEP	\$845
08/28	CARIBBEAN, CENT & S. AM	103	OCT-NOV	\$889.07
08/29	AFRICA & MIDDLE EAST	49	AUG-OCT	\$860
08/29	CARIBBEAN, CENT & S. AM	448	SEP-OCT	\$846.15
AUGUST 1 - 31, 1997		<u>23,361</u>		
PROGRAM TO DATE		38,290		
WHOLE MILK POWDER				
JULY 1997		504		
08/04	CARIBBEAN, CENT & S. AM	80	AUG-OCT	\$1,137.20
08/07	CARIBBEAN, CENT & S. AM	32	AUG-NOV	\$1,163
08/08	CARIBBEAN, CENT & S. AM	16	AUG-NOV	\$1,163
08/13	CARIBBEAN, CENT & S. AM	16	AUG-SEP	\$1,140
08/27	CARIBBEAN, CENT & S. AM	20	SEP	\$1,145
AUGUST 1 - 31, 1997		<u>164</u>		
PROGRAM TO DATE		668		

DEIP BID ACCEPTANCE
AUGUST 1997

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
CHEESE				
JULY 1997		128		
08/04-P	CARIBBEAN, CENT & S. AM	110	AUG-OCT	\$534.98
08/05-P	CARIBBEAN, CENT & S. AM	17	AUG-OCT	\$526
08/14-M	AFRICA & MIDDLE EAST	6	AUG-SEP	\$825
08/18-C	AFRICA & MIDDLE EAST	160	AUG-SEP	\$1,325
08/20-C	AFRICA & MIDDLE EAST	8	AUG-SEP	\$550
08/26-M	AFRICA & MIDDLE EAST	7	SEP	\$825
08/28-M	AFRICA & MIDDLE EAST	18	SEP	\$825
AUGUST 1 - 31, 1997		<u>326</u>		
PROGRAM TO DATE		454		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN CHEESE, CC-CREAM CHEESE				
BUTTEROIL/ANHYDROUS MILKFAT				
JULY 1997		2,739*		
08/01-B	ASIA & FSU	40	AUG-DEC	\$1,045
08/04-B	ASIA & FSU	200	AUG-DEC	\$1,120
08/05-B	ASIA & FSU	18	AUG-OCT	\$1,010
08/11-B	ASIA & FSU	20	AUG-DEC	\$1,145
08/12-B	ASIA & FSU	67	AUG-DEC	\$1,134.03
08/13-B	ASIA & FSU	12	AUG-OCT	\$1,040
08/15-B	CARIBBEAN, CENT & S. AM	16	AUG-OCT	\$1,073
08/18-B	ASIA & FSU	66	AUG-DEC	\$1,135.45
08/21-A	CARIBBEAN, CENT & S. AM	270	SEP-DEC	\$1,615
08/21-B	ASIA & FSU	300	AUG-OCT	\$1,165
08/26-B	ASIA & FSU	100	AUG-FEB	\$1,080
08/28-B	AFRICA & MIDDLE EAST	20	SEP-OCT	\$1,136
08/28-B	ASIA & FSU	100	SEP-FEB	\$1,080
08/29-B	ASIA & FSU	1,200	SEP-JAN	\$1,080
AUGUST 1 - 31, 1997		<u>2,497*</u>		
PROGRAM TO DATE		5,236*		
A.-ANHYDROUS, O-BUTTEROIL, B-BUTTER				
*TOTALS DO NOT ADD DUE TO CONVERSION OF ANHYDROUS /BUTTEROIL TO BUTTER EQUIVALENT				
				PROGRAM-TO-DATE
TOTAL MT				44,648
TOTAL BONUS VALUE				\$40,048,000

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture's Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain, (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds.

July 1, 1997 started a one year program for the DEIP allocations. Refer to Volume 64 report 27 pages 13 & 14 for country qualifications.

SOURCE: FOREIGN AGRICULTURAL SERVICE

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF SEPTEMBER 1 - 5, 1997			CUMULATIVE TOTALS			UNCOMMITTED INVENTORIES		
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/96	LAST YEAR	08/29/97	LAST YEAR		
BUTTER									
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE									
Block	-0-	-0-	-0-	330,284	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	392,874	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK									
Nonfortified	4,277,847	99,207	4,178,640	22,681,210	-0-	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	4,277,847	99,207	4,178,640	22,681,210	-0-	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**	MILKFAT*	SKIM**
	BASIS	SOLIDS	BASIS	SOLIDS
WEEK OF SEPTEMBER 1 - 5, 1997 =	0.9	48.6	COMPARABLE WEEK IN 1996 =	0.0
CUMULATIVE SINCE OCTOBER 1, 1996 =	22.6	282.9	CUMULATIVE SAME PERIOD LAST YEAR =	0.0
CUMULATIVE JANUARY 1 - SEPTEMBER 5, 1997 =	22.6	282.9	COMPARABLE CALENDAR YEAR 1996 =	0.0

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/96 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
REGION	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
MIDWEST	-0-	-0-	1,514,684	-0-	-0-	-0-	61.9	0.0
WEST	-0-	-0-	392,874	-0-	22,681,210	-0-	38.1	0.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
TOTAL	-0-	-0-	1,907,558	-0-	22,681,210	-0-	100.0	0.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1997MANUFACTURING MILK: Average Test 3.67% - \$10.20 per cwt.; 3.5% - \$10.10DOLLARS PER POUNDBUTTER: Bulk \$.6500; 1# Prints \$.6800CHEESE: 40 & 60# Blocks \$1.1300; 500# Barrels \$1.1000; Process American 5# \$1.1825; Process American 2# \$1.2225NONFAT DRY MILK: Nonfortified \$1.0470; Fortified \$1.0570; Instant \$1.2045Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 08/16/97 & Comparable Week 1996 (1/2/)

Regions*											U.S. TOTAL		% DAIRY OF ALL		
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1	
1997-Dairy cows	HD (000)	: 0.4	1.6	---	12.0	21.6	2.7	3.7	1.4	9.0	2.6	54.8	1,811.4	45.7	45.8
1996-Dairy cows	HD (000)	: 0.4	1.4	---	12.9	22.1	2.5	5.2	1.3	8.3	2.8	56.8	1,854.6	42.9	43.4
1997-All cows	HD (000)	: 0.4	1.6	---	25.7	30.3	17.8	19.0	7.3	11.6	6.2	119.9	3,954.1		
1996-All cows	HD (000)	: 0.4	1.5	---	27.1	29.5	23.1	22.3	9.6	11.8	7.1	132.3	4,269.6	**REGION 3 & 4 COMBINED**	

1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE PURCHASES POUNDS

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/96 = 89,409,375 CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/96 = 12,521,747

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86					